

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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R 091757Z OCT 75
FM AMEMBASSY BONN
TO SECSTATE WASHDC 3521
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C O N F I D E N T I A L SECTION 01 OF 02 BONN 16644

EXDIS

TAGS: GW, TECH, ENRG, PARM

SUBJECT: FRG-EGYPTIAN AGREEMENT ON QATTARA DEPRESSION
PROJECT

REF: STATE 224493
BONN 15586

BEGIN SUMMARY: THE 1974 GERMAN-EGYPTIAN AGREEMENT FOR
TECHNICAL COOPERATION ON THE QATTARA DEPRESSION PROJECT
DESCRIBES THE FINANCIAL ARRANGEMENTS FOR A FEASIBILITY
STUDY WHICH IS TO BE COMPLETED WITHIN THREE YEARS.
THE STUDY WILL EXAMINE ALL POSSIBLE ENGINEERING METHODS-
INCLUDING PNE'S-FOR CARRYING OUT THE PROJECT. GERMAN
OFFICIALS ARE SKEPTICAL, HOWEVER, THAT PNE'S WILL
PROVE TO BE THE PROPOSED SOLUTION TO THE PROBLEM.
END SUMMARY

1. A DISARMAMENT OFFICIAL INVITED US TO THE FONOFF
ON OCTOBER 8 FOR A BRIEFING ON THE TECHNICAL AGREEMENT
CONCLUDED BY THE FRG AND EGYPT ON JULY 5, 1974. THE
AGREEMENT WAS SIGNED DURING FOREIGN MINISTER FAHMI'S
OFFICIAL VISIT TO THE FRG. RESPONSIBILITY FOR
IMPLEMENTING THE AGREEMENT ON THE GERMAN SIDE LIES
WITH THE MINISTRY FOR ECONOMIC COOPERATION HEADED BY
EGON BAHR.

2. THE OFFICIAL BEGAN THE BRIEFING BY READING THE
SEVEN ARTICLES OF THE AGREEMENT. ARTICLE I PROVIDES
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FOR PARTIAL FRG FINANCING OF THE FEASIBILITY STUDY.

THE FRG AGREED TO PROVIDE DM 11.3 MILLION THROUGH THE KREDITANSTALT FUER WIEDERAUFBAU (KFW). EGYPT AGREED TO FUND THE REMAINDER OF THE COSTS WHICH, ACCORDING TO THE FONOFF OFFICIAL'S INFORMATION, WOULD REQUIRE AN EGYPTIAN OUTLAY OF SOME DM 30 MILLION. THE EGYPTIAN PROMISE TO PROVIDE THE ADDITIONAL FUNDS TO FINANCE THE FEASIBILITY STUDY IS EMBODIED IN ARTICLE II.

3. ARTICLE III ESTABLISHES A STEERING COMMITTEE WITH EQUAL REPRESENTATION BY BOTH COUNTRIES. THE STEERING COMMITTEE IS CHARGED WITH DETERMINING THE UNDERLYING PRINCIPLES OF THE FEASIBILITY STUDY AND PROVIDING GUIDANCE AS APPROPRIATE. THE STEERING COMMITTEE MET FOR THE FIRST TIME IN MAY 1975 WITH THE EGYPTIAN MINISTER OF ELECTRIC POWER, AHMED SULTAN, AS CHAIRMAN. MINISTERIAL DIRECTOR OPPELT FROM THE MINISTRY FOR ECONOMIC COOPERATION IS THE PRINCIPAL FRG REPRESENTATIVE.

4. THE FONOFF OFFICIAL REVIEWED WITH US VERY QUICKLY THE REMAINING FOUR ARTICLES AS FOLLOWS:

ARTICLE IV--DESCRIBES THE FINANCIAL ARRANGEMENTS WHICH MUST BE MADE BETWEEN KFW AND THE VARIOUS PRIVATE FIRMS WHICH RECEIVE CONTRACTS TO CARRY OUT THE FEASIBILITY STUDY.

ARTICLE V--PROVIDES TAX EXEMPTIONS FOR GERMAN COMPANIES OPERATING IN EGYPT IN CONJUNCTION WITH THE

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STUDY.

ARTICLE VI--PROVIDES THAT GERMAN COMPANIES LOCATED IN WEST BERLIN ARE ALSO ELIGIBLE TO PARTICIPATE AS CONSULTING FIRMS.

ARTICLE VII--PROVIDES FOR THE IMPLEMENTATION OF THE AGREEMENT UPON SIGNATURE (JULY 5, 1974).

5. WE WERE INFORMED FURTHER THAT A CONTRACT WAS LET TO A PRIVATE EGYPTIAN FIRM TO CONDUCT PART OF THE FEASIBILITY STUDY ON SEPTEMBER 30, 1975. THE COMPANY CITED WAS GENERAL EGYPTIAN ELECTRICITY CORPORATION. IN THE FRG, THE "CONSULTING GROUP LAHMEYER", A FRANKFURT-BASED FIRM, RECEIVED THE CONTRACT AND WILL DISTRIBUTE THE WORK AMONG THE FIRMS WHICH CONSTITUTE THE "CONSULTING GROUP". ACCORDING TO THE CONTRACTS LET, THE WORK MUST BE COMPLETED WITHIN THREE YEARS. IN FIVE YEARS THE EGYPTIANS HOPE TO BEGIN THE ACTUAL WORK. THE CONTRACTS CALL FOR A SPECIFIC PROJECT ANALYSIS BASED ON TWO QUESTIONS. FIRST, CAN THE PROJECT BE CARRIED OUT? IF THE ANSWER IS POSITIVE, THEN THE FIRMS ARE CHARGED WITH RECOMMENDING THE METHOD FOR DOING SO. THE PNE SOLUTION IS ONLY ONE OF SEVERAL POSSIBLE ALTERNATIVES THAT WILL BE STUDIED.

5. ON THE QUESTION OF THE POSSIBLE USE OF PNE'S, THE FONOFF OFFICIAL INFORMED US THAT THE MINISTRY FOR CONFIDENTIAL

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ECONOMIC COOPERATION WAS SKEPTICAL ABOUT THE UTILITY OF SUCH A SOLUTION. AMONG THE REASONS HE CITED WAS THE FACT THAT THE EARTH IN THE DEPRESSION AREA IS GEOLOGICALLY UNSTABLE AND THEREFORE THE TRIGGERING OF A NUCLEAR EXPLOSION MIGHT CAUSE UNFORESEEN RESULTS. SECONDLY, THE GERMANS FEAR THE POSSIBILITY OF FALL-OUT ENDANGERING ALEXANDRIA AS A RESULT OF ANY EXCAVATION SHOT WHICH MIGHT BE DETONATED.

6. FINALLY, WE WERE INFORMED THAT AN OFFICIAL FROM THE MINISTRY FOR ECONOMIC COOPERATION WOULD DISCUSS US CONCERNS ABOUT APPARENT EGYPTIAN MISUNDERSTANDING OF LLL INVOLVEMENT IN THE PROJECT STUDIES (REFTELS) WITH THE KFW DIRECTOR WHO ALSO SITS ON THE FRG-EGYPTIAN STEERING COMMITTEE.
HILLENBRAND

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